

Private foundation; taxable expenditure; scholarship and fellowship grants; employer-related. A private foundation that was created and funded by a for-profit company grants scholarships, based on objective standards, for the education of children of a particular community, regardless of whether the parents are employed by the company. The scholarship program is not an 'employer-related' grant program subject to the guidelines of Rev. Proc. 76-47.

Advice has been requested whether the scholarship grant program described below, which otherwise meets the requirements of sections 117(a) and 4945(g)(1) of the Internal Revenue Code of 1954, is an 'employer-related' grant program that is subject to the guidelines of Rev. Proc. 76-47, 1976-2 C.B. 670.

A private foundation, as defined in section 509(a) of the Code, has, pursuant to section 4945(g)(1), applied to the Internal Revenue Service for approval of its proposed scholarship program.

The foundation was created and funded by a for-profit company to provide scholarships for the education of students from a particular at educational organizations described in section 170(b)(1)(A)(ii). As members of the community, children of employees of the company as well as children whose parents are not employed by the company will be eligible to apply for the grants.

No preference will be given to any applicant on the basis of any person's relationship to the company.

The foundation will inform the schools in the community of the availability of the grants in order that all interested students will have ready access to the application forms for the program.

Grant recipients will be chosen by a selection committee comprised entirely of individuals who, except for their participation on the committee, will be totally independent and separate from the private foundation and the company. No individual who is an employee or former employee of either the company or the foundation may serve on the selection committee.

Selection of grant recipients will be based solely upon objective standards, including, but not limited to, prior academic performance, financial need, scores on ability and aptitude tests, recommendations from instructors or other individuals not related to the applicant, and conclusions drawn from personal interviews as to the applicant's motivation, character, ability, and potential.

The grants will not be used by the company to recruit employees or to induce parents of employees to continue their employment or otherwise follow a course of action sought by the company. Persons who are disqualified persons as to the foundation under section 4946 of the Code are not eligible to

receive grants.

Under Rev. Proc. 76-47, an employer-related grant program is a program that treats children of some or all of the employees of a particular employer as a group from which grantees of some or all of the foundation's grants will be selected, limits the potential grantees for some or all of the foundation's grants to children of employees of a particular employer, or otherwise gives such children a preference or priority over others in being selected as grantees.

The scholarship program described in this Revenue Ruling is organized and operated for the charitable and educational benefit of all students in the community on an equal basis. It does not give children of employees of the company any preference or priority over others in the selection of grantees. Accordingly, it is not an 'employer-related' grant program that is subject to the guidelines of Rev. Proc. 76-47.